

**Final Order Denying Refund Number: 01-20200239
Indiana Individual Income Tax
For The 2019 Tax Year**

NOTICE: IC § 4-22-7-7 permits the publication of this document in the Indiana Register. The publication of this document provides the general public with information about the Indiana Department of Revenue's official position concerning a specific set of facts and issues. The "Holding" section of this document is provided for the convenience of the reader and is not part of the analysis contained in this Final Order Denying Refund.

HOLDING

Indiana Residents were not entitled to additional refund of tax overpayment from Indiana because their supporting documentation demonstrated that they made payments to the federal Internal Revenue Service ("IRS"), not Indiana Department of Revenue. As such, Indiana Residents' claim was properly denied.

ISSUE

I. Indiana Individual Income Tax - Documentation.

Authority: IC § 6-3-2-1; IC § 6-3-1-3.5; IC § 6-3-4-4.1; IC § 6-3-4-8.

Taxpayers protest the partial refund denial concerning their 2019 Indiana income tax.

STATEMENT OF FACTS

Taxpayers (Husband and Wife) are Indiana residents. In 2020, Taxpayers timely filed a married-filing-jointly Indiana Full-Year Resident Individual Income Tax Return (Form IT-40), reporting their Indiana and local income tax. On that return, Taxpayers requested a refund of \$4,302.

Upon initial review, the Indiana Department of Revenue ("Department") determined that Taxpayers did not have the estimated tax credit, which was claimed on the Schedule 6 to Taxpayers' 2019 IT-40 return. The Department adjusted Taxpayers' 2019 filing, denying a portion of refund, in the amount of \$1,876. Taxpayers received a reduced refund, in the amount of \$2,426, as a result.

Taxpayers protested the partial refund denial. Taxpayers submitted additional documentation, requesting that the Department issue its final determination without a hearing. This Final Order Denying Refund results based on Taxpayers' documents and information available within the Department's records. Additional facts will be provided as necessary.

I. Indiana Individual Income Tax - Documentation.

DISCUSSION

Taxpayers timely filed their 2019 IT-40 return. After cross-referencing the Department's records and examining their filing, the Department determined that Taxpayers did not have the \$1,876 pre-paid tax credit, as claimed on the Schedule 6 to their 2019 IT-40 return. The Department thus made "line-by-line" adjustments, explaining that Taxpayers' refund was reduced and a refund of \$1,876 was denied.

Taxpayers protested the partial denial, claiming that in 2019, they made quarterly estimated payments, totaling \$1,876. Taxpayers argued that they properly included the \$1,876 pre-paid tax credit when they filed their 2019 IT-40 return to calculate their refund and the Department erred in denying the credit. Thus, the issue in this case is whether Taxpayers demonstrated that they had remitted \$1,876 estimated tax to the Department in 2019, and the Department erroneously denied Taxpayers their \$1,876 pre-paid estimated tax credit.

Indiana imposes a tax "upon the adjusted gross income of every resident person, and on that part of the adjusted gross income derived from sources within Indiana of every nonresident person." IC § 6-3-2-1(a). To compute what is considered the resident-taxpayers' Indiana income tax, the Indiana statute refers to the Internal Revenue Code. IC § 6-3-1-3.5(a) provides the starting point to determine the taxpayers' taxable income and to calculate what would be their Indiana income tax after applying certain additions and subtractions to that starting point, with modifications thereafter.

Similar to the federal income tax scheme, IC § 6-3-4-4.1 and IC § 6-3-4-8 require that Indiana income taxes must be paid or remitted as income earned or received during the year through withholding or estimated tax payments. The resident-taxpayers then claim the pre-paid tax credit on Schedule 6 to calculate the amount of their refund when they file the annual return.

Taxpayers in this instance stated that, during 2019, they made estimated tax payments, totaling \$1,876 to the Department, but the Department failed to apply their pre-paid tax credit when reviewing Taxpayers' 2019 filing. Taxpayers therefore argued that the Department erroneously denied a portion of their refund. Taxpayers offered copies of the IRS Direct Pay confirmation to support their protest.

Upon review, however, Taxpayers are mistaken. Specifically, Taxpayers' supporting documents showed that they made the \$1,876 payment to the IRS, a federal revenue agency. That is, the Department - a state revenue agency - did not receive the \$1,876 payments in 2019 and properly denied Taxpayers' claimed pre-paid tax credit as a result.

In short, Taxpayers made their \$1,876 payment to the IRS in 2019. Therefore, to claim such pre-paid tax credit, Taxpayers are required to file their federal return or file their claim for refund with the IRS.

FINDING

Taxpayers' protest is denied.

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